

# Fee Appraiser & Staff Appraisal Reviewer Training Guide



## Our Mission, Our Veterans

Department of Veterans Affairs  
Cleveland Regional Loan Center  
January 2009

## TABLE OF CONTENTS

<u>CHAPTER</u>	<u>TOPIC</u>	<u>PAGE</u>
	Preface/Introduction/VA Expectations	4
	Cleveland RLC C&V Phone Directory	5
Chapter 1	<b>Business to Business Processes</b>	
	Communication	6
	The Veterans Information Portal (VIP)	6
	The Assignment Process	9
	Monitoring Your TAS Account	10
	Timeliness Guidelines	11
Chapter 2	<b>VA Expectations</b>	
	What is Expected of the Fee Appraiser	12
	Fees and Payment Issues	13
	Request for Payment Assistance Form	14
	Desk and Field Reviews of Appraisal Reports	15
	Quality Control and Standards	15
	Contact with Lenders and Other Parties of Interest	16
	Complaints	16
	Use of Assistants	17
Chapter 3	<b>VA Appraisal Requirements</b>	
	USPAP	18
	Approaches to Value	18
	Appraisal Report Forms	19
Chapter 4	<b>Liquidation Appraisals</b>	
	Basic Liquidation Appraisal Guidelines	30
	Liquidation Appraisal Addendum	35
Chapter 5	<b>Manufactured Housing on Permanent Foundation</b>	
	Basic Requirements	36
Chapter 6	<b>Proposed Construction</b>	
	Basic VA Requirements	38
Chapter 7	<b>LAPP Appraisals</b>	
	Role of the LAPP Staff Appraisal Reviewer (SAR)	40
	Contact and Cooperation with the LAPP SAR	40
	Tidewater Initiative	41
	LAPP Reconsideration of Value	41

Chapter 8	<b>E-Appraisal</b> The Appraisal Report and Required Exhibits	42
Chapter 9	<b>Administrative Actions</b> Disciplinary Action	44
Chapter 10	<b>Common Errors</b> Common Errors	46

# PREFACE

## INTRODUCTION

This Fee Appraiser's Handbook is intended to supplement the appraisal requirements and guidelines provided in the Lender's Handbook. Where there is any inconsistency between this Fee Appraiser's Handbook and the Lender's Handbook, the Lender's Handbook will be considered the controlling document. In cases where the Fee Appraiser's Handbook and Lender's Handbook vary as to standards of performance, the more stringent requirements will govern. This Fee Appraiser's Handbook is for use of all fee appraisers in our jurisdiction (Ohio, Michigan, Indiana, New Jersey, Pennsylvania, and Delaware).

## STATEMENT OF VA EXPECTATIONS

In addition to quality appraisal reports completed in a timely fashion, the Department of Veterans Affairs (VA) expects and requires the highest standards of professional conduct, courtesy, appearance, and customer service from its Fee Panel members. Although you are independent contractors, remember that in the eyes of the veterans, lenders, Realtors, and other clients with whom you come in contact every day, *you represent the Department of Veterans Affairs, Cleveland Regional Loan Center*. While we recognize and respect your right to conduct your business as you see fit, be assured that VA has the right -- and the responsibility -- to ensure that the Loan Guaranty program is administered first and foremost for the benefit of our veterans.

Realistic and objective appraisal reports that accurately reflect overall market conditions and the market value of the subject property are essential to the integrity and viability of the VA Loan Guaranty Program.



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**Construction and Valuation Section 262**  
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**Serving Ohio, New Jersey, Pennsylvania, Delaware, Michigan and Indiana**

**Phone 1-800-729-5772 then dial extension to contact the appropriate individual:**

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**Website and other information:** <http://www.homeloans.va.gov/cav.htm>

**effective: 1/12/09**

## CHAPTER 1

### BUSINESS TO BUSINESS PROCESSES

VA Fee Appraisers operating within the jurisdiction of the Cleveland Regional Loan Center (RLC) must comply with the following guidelines:

#### **Communication**

##### **Phone/Fax Availability**

A telephone answering machine, or voice mail system, or someone to answer your telephone during working hours (8:00 a.m. to 4:30 p.m.), Monday through Friday, is **mandatory**. During periods of unavailability, you are required to have a recorded telephone message to indicate the date you expect to return.

A fax machine, or access to a fax machine, is **mandatory**. It should be noted that VA allows, even encourages, lenders to fax the signed VA Form 26-1805-1 (Request for Determination of Reasonable Value) to the assigned Fee Appraiser in order to save mailing time. If we are unable to contact you, no further appraisal assignments will be made until such time as fax communication has been restored.

##### **Internet / E-Mail Access**

Fee Appraisers **must have** Internet access that is compatible with The Appraisal System (TAS). Additionally, all Fee Appraisers must have access to an e-mail address from which they can both send and receive e-mail. During periods of unavailability, you are required to have an automatic outgoing e-mail response to indicate the date you expect to return.

**Note:** Fee Appraisers **must respond** to all inquiries (phone/fax/e-mail) from VA staff, lenders, or real estate agents, and all program participants **no later than the following business day**. Failure to respond by the end of the following workday can result in immediate withholding of new assignments until such time as you have responded.

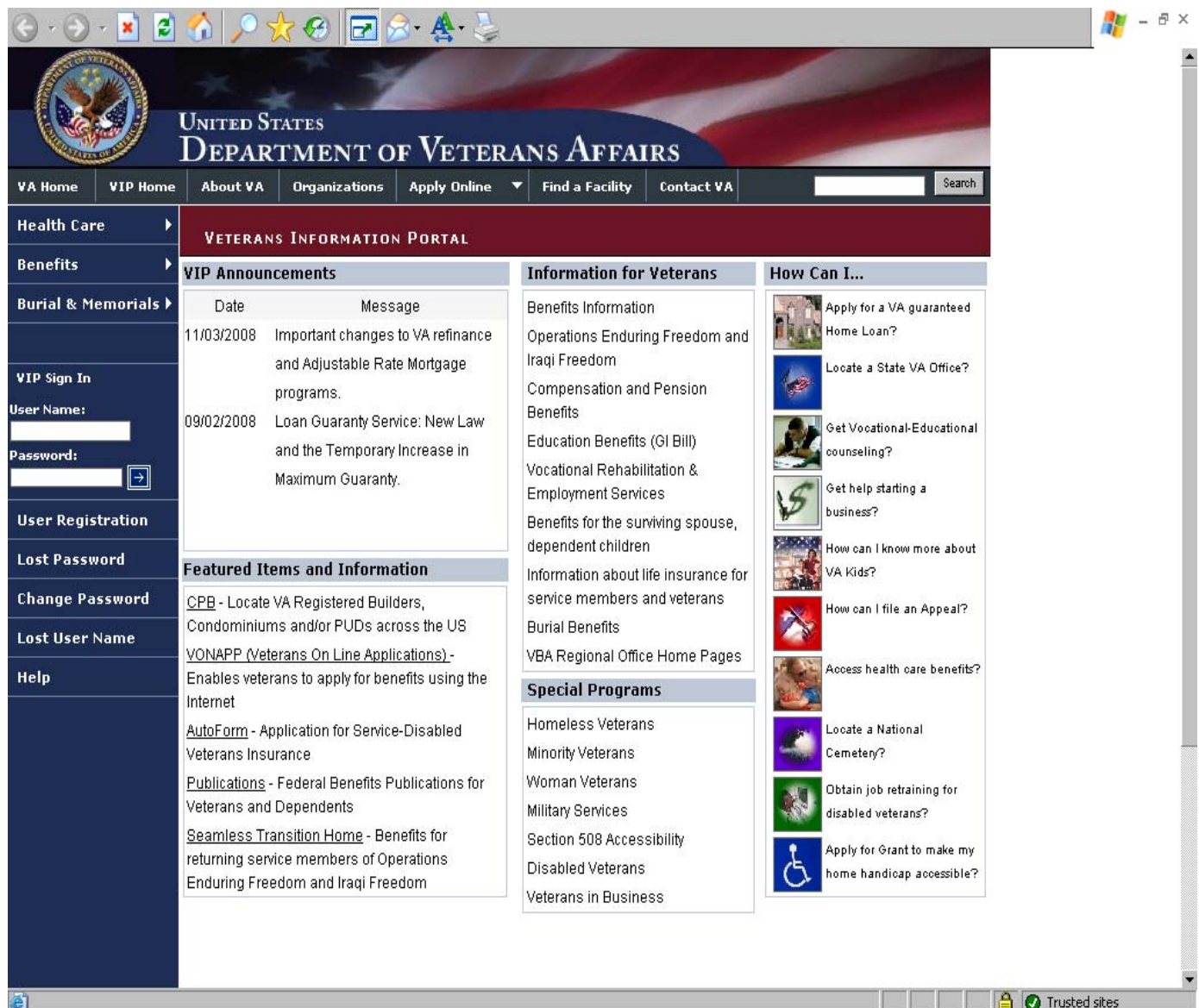
#### **The Veterans Information Portal (VIP)**

The Veterans Information Portal (VIP) is using today's available technology to create a secure one-stop Veterans Benefits Administration web-based portal. The VIP can be found online at <http://vip.vba.va.gov>.

##### **Electronic Transmission of Appraisals (E-Commerce)**

E-Appraisal is the nationwide standard for transfer and distribution of VA appraisals. Your e-mail provider must have the capacity to accommodate appraisal packages up to approximately 3 Megabytes in size.

Access to E-Appraisal is obtained through the Veterans Information Portal (VIP) at <http://vip.vba.va.gov>.



## **Initial Registration**

Passwords are sent to an individual e-mail account entered during registration. This password will allow one individual user to login. However, the system will then prompt the user to change his/her password to one that can be easily remembered using the required password criteria.

## **Lost Username/Password**

If you do not know your username and/or password, you may try to have a new password e-mailed to your e-mail address of record by selecting the LOST PASSWORD link on the portal home page. *Please click this link only once.* Processing



may pause while the new password is generated and sent to the e-mail account you registered with. The LOST PASSWORD option asks for a current portal username or e-mail address the VA has on record. You will get a new password each time you click the link. Please keep in mind that the LOST PASSWORD function will not unlock an account and there are no 15 minute grace periods.

### **VIP Account Locked**

If the login fails after 3 attempts with your password, your account may need to be unlocked. Please e-mail [VIP@VBA.VA.GOV](mailto:VIP@VBA.VA.GOV) in order to have your account unlocked. Please make sure to include your username, contact information, and the last 4 digits of your SSN.

While you are required to upload appraisals to our official system of record, E-Appraisal, you should honor any request by a lender to also e-mail/fax a copy of the appraisal to said lender. We understand that many of you have set strict adherence to use of E-Appraisal as the only way for appraisals to be delivered, as a standard to drive E-Appraisal use, however, now that E-Appraisal has successfully become the operating standard, we need to adapt to the new need(s).

There are many variables that could occur - flexibility in meeting the needs to close loans timely for veterans is our goal. As an example: E-Appraisal could be operational, but FileNet may not. This would dictate that VA would also require a copy of the appraisal. You may have already uploaded an appraisal, but by the time the lender attempts to retrieve it, there could be access problems, etc.

We have received reports of appraisers who have refused to provide the needed appraisal, or other documents, because they say they are not allowed by VA - this can cause additional work for everyone as the lender then calls VA to request assistance so they can meet a contractual closing date, etc. Again, our goal is to allow common-sense flexibility.

General guidelines:

1. Fee appraisers must upload the appraisal in E-appraisal as soon as possible after it becomes available.
2. If a lender, identified on the VA Form 26-1805, is unable to access E-Appraisal, the appraiser is expected to comply with the lender's request to e-mail or fax a copy to them, whether or not the appraisal has already been uploaded to E-Appraisal. If it has not been uploaded to E-Appraisal, a copy should also be E-mailed to VA at [325cnv@vba.va.gov](mailto:325cnv@vba.va.gov).
3. Staff Appraisal Reviewers (SAR's) may issue an NOV in TAS, if it is available, from an e-mailed or faxed Appraisal.
4. SAR's may issue a Notice of Value (NOV) out of the system, but must issue a NOV in TAS as soon as possible after it becomes available.



5. If the NOV is issued out of the system or in TAS after the date of loan closing, SAR's must submit the package to the RLC for manual guaranty.

### **Inquiries/Problems**

For information and recent bulletins, please log onto our website at <http://www.vba.va.gov/cleveland-rlc.htm> or <http://www.homeloans.va.gov>.

You may also contact us by telephone (see C&V contacts page) or by e-mail at [325cnv@vba.va.gov](mailto:325cnv@vba.va.gov).

## **The Assignment Process**

### **Computer Assignment**

Lenders and other requesters order case numbers and appraisals through the Internet-based The Assignment System (TAS). TAS assigns a Fee Appraiser for each case on a rotational basis according to geographic areas (cities and/or counties) of coverage. All appraisers currently on the VA Fee Panel whose status is "Active and Available" are in the rotation and eligible to receive assignments.

If a Fee Appraiser has a conflict of interest with an assignment, VA must be notified immediately with the reason for the conflict of interest so VA can determine if reassignment is appropriate. You are not allowed to 'give' the assignment to someone else; it must be re-assigned by VA.

### **Appraisal Request Form**

When the requester has entered all necessary information on the screen, TAS generates a fully completed VA Form 26-1805-1 ("Request for Determination of Reasonable Value") which the requesting lender is expected to print out, sign, and immediately send to the assigned Fee Appraiser. The Form 26-1805-1 will include the VA case number, access information, and be accompanied by the purchase agreement (if applicable) and any other necessary exhibits. You should follow up immediately with any requester who has not provided you the Appraisal Request (Form 26-1805-1) within two business days of the computer assignment date. TAS should be checked daily to ensure the Fee Appraiser is aware of all new assignments.

**Note:** Do not delay beginning work on the appraisal if you have verified the assignment with the requester but have not yet received the 26-1805-1.

**Note:** In conformance with Uniform Standards of Professional Appraisal Practice (USPAP) requirements, you are expected to make a reasonable attempt to obtain the sales contract and disclosure statement(s). Under no circumstances, however, are you to delay completing an appraisal assignment or forwarding the report to the requester because the sales contract or disclosure statement has not been received.

## **Monitoring Your TAS Account**

### **Fee Appraiser Responsibility**

It is ***your responsibility*** to monitor your TAS account on a regular basis. Checking daily will enable you to keep track of your workload and will alert you to new VA appraisal assignments as soon as they are ordered by the requester.

Your “***Appraiser Pending Assignments***” list in TAS will display the case number; the subject property address; the name, address, and phone number of the person and company who ordered the appraisal; and the type of case (i.e., LAPP, IND, SAPP, LGI, etc.). You may notice that your “***Appraiser Pending Assignments***” list includes a number of cases that you have already completed and uploaded into E-Appraisal weeks (or perhaps in some cases, months) earlier. The assignment will remain in your pending assignments until VA or the lender issues the Notice of Value. If you are confident that your appraisal report was properly submitted and you have received no subsequent status inquiries about it, don’t be concerned that the case is still showing on your “pending” list.

### **Vacation Notices**

You ***must*** notify VA ***in writing*** at least **7** business days in advance when you need your assignments stopped. To notify VA, fax or e-mail your request to the Cleveland RLC.

**Note:** It is ***your responsibility*** to ensure that all assignments assigned to you in TAS prior to the start of your time off period are completed and sent to the proper party. This is why it is important to notify VA far enough in advance of vacations. Also, when making your vacation request, please add on a few extra days at the beginning of your request to ensure you don’t receive any new assignments the day before leaving for your vacation. You will be responsible to complete the new assignment within VA’s timeliness requirements.

**Note:** Please be aware that cases unaccounted for during the period of your unavailability are subject to reassignment in the event we are unable to reach you to determine status. If the case is reassigned, you may not be able to collect your fee.

### **Illness or Emergency Notices**

Immediate notification is required when you need your assignments stopped for illness or emergencies. If necessary, contact VA by phone. Also, please let us know if there are any assignments you have not completed, so they can be reassigned to another fee appraiser.

**Note:** Please be aware that cases unaccounted for during the period of your unavailability are subject to reassignment in the event we are unable to reach you to determine status. If the case is reassigned, you may not be able to collect your fee.

## **Timeliness Guidelines**

### **Timeliness Standard**

The Cleveland Regional Loan Center's timeliness requirement is **all** appraisals must be completed within 5 business days of the date the assignment was requested.

You must report your timeliness information on the “***Client Requirements***” Addendum to your URAR, in the following format:

**R     (Received) 12-04-08**  
**A     (Appraised) 12-08-08**  
**U     (Uploaded) 12-09-08**

Other formats are acceptable as long as we receive all the required information.

An explanation is always required on cases submitted after 5 business days. Use the *RAU Comments* section of the Addendum or other to document the *length* (number of days) and the *specific reason(s) for each delay*. Any delays that are reasonably outside your control (assuming due diligence) will not be counted against you.

Continued failure to comply with this timeliness requirement will result in administrative (i.e., disciplinary) action up to and including Limited Denial of Participation (LDP).

### **Delays Requested by Lender, Builder, etc.**

If the requestor asks you to delay the appraisal assignment for any reason (e.g., seller is on vacation, customer preference items not yet installed, etc.) **and** this delay results in the appraisal report not meeting VA timeliness standards, you should:

- require the requester to provide you a **written request** for such delay and
- include a copy of the request in your appraisal package.

If the expected delay would result in the appraisal missing VA timeliness standards **by seven or more calendar days**, you should contact VA for guidance prior to agreeing to the request.

**Note:** When access to the property is delayed for **any reason beyond your control**, the appraisal report must be submitted no later than 5 business days after access has been achieved.

### **Reassignment of Untimely Appraisals**

If a requestor contacts VA regarding a late appraisal (over the timeliness standard) and claims non-responsiveness or inability to even make contact on the part of the assigned Fee Appraiser, VA will make a reasonable attempt to contact you. If VA is also unable to contact the appraiser or to otherwise ascertain whether or not the appraisal has been completed, the appraisal in question is subject to reassignment to another appraiser. In addition, the original appraiser's fee will be forfeited and a timeliness error will be charged.

## CHAPTER 2 VA EXPECTATIONS

### What is Expected of the Fee Appraiser

#### Appraisal Reports

The Fee Appraiser must view the interior and exterior of every existing construction subject property. In addition, the Fee Appraiser is responsible for all aspects of the appraisal process, including the final estimate of value.

Certain appraisal functions may not be delegated to anyone else. Failure to comply with this requirement will subject you to immediate LDP action. Specifically, the Fee Appraiser assigned by VA must personally:

- Visit and observe the interior and exterior of the subject property and the exterior of each comparable, (The sole exception is on liquidation cases where entry to an occupied subject property has been denied or may otherwise not be possible.)
- Select, visit, observe, and analyze each of the comparable sales used in the report,
- Complete the Market Data Analysis,
- Make the final value estimate,
- Sign the appraisal report as the appraiser, and
- Document any work done by anyone other than the appraiser.

#### Repair Inspections

When VA issues a Notice of Value (NOV) or a Lender Appraisal Processing Program (LAPP) SAR issues a LAPP NOV that includes repairs, the Fee Appraiser may be requested to certify those repairs have been completed. In these cases, you should be careful to address the repairs **as stated on the VA NOV or LAPP NOV (not as they were stated on your URAR - some of them may have been changed!)**. Your certification for completion of repairs (on your letterhead) should be sent to the requester. Do not upload the repair certification in E-Appraisal. Fee Appraisers are **not** authorized to accept or approve a request for a waiver of repairs or other appraisal conditions. Such requests must come to VA for review or in some cases SARs.

#### Additional Requirements

Your VA ID Number must be placed next to your name on all correspondence sent to our office.

VA must approve any appraisal request not assigned to you in TAS before accepting the assignment.

## **Representing VA**

You do **not** have the authority to speak to anyone or any group *in an official capacity* representing VA in regard to VA appraisal regulations, procedures, or policies. This includes newspapers; magazines; or lender, builder, or Realtor organizations.

## **Fees and Payment Issues**

### **Fee Schedule**

Maximum fees for VA Appraisals and inspections are established by each VA Regional Loan Center for their area of jurisdiction. Current VA appraisal fees are listed in Information Letter 26-07-07 which can be found on our website.

In unusual or complex appraisal or inspection situations not specifically covered by the local fee schedule, fees will be set, in advance, by the Valuation Officer. Similarly, the Valuation Officer must approve any mileage fees in writing. In all such cases, prior to beginning work on the assignment, the Fee Appraiser must obtain VA approval and should obtain written acknowledgment from the requester that they are aware of these VA-authorized fees and that they have agreed to them.

Failure to comply with the fee schedule will result in administrative (i.e., disciplinary) action up to and including Limited Denial of Participation (LDP).

### **Collection of Appraisal Fees**

Also, under no circumstances may a VA Fee Appraiser collect the appraisal fee in advance, at the door, or COD without written VA authorization. An invoice should accompany your appraisal report in E-Appraisal.

### **Payment Assistance Policy**

When a requester is untimely in paying your appraisal fee, please e-mail the Request for Payment Assistance form on the next page to [325cnv@vba.va.gov](mailto:325cnv@vba.va.gov). You must document your attempts to collect your fee. Upon receipt of your request, VA will assist in the collection of the fee.

Under no circumstances may a VA Fee Appraiser (without specific written VA authorization) delay completion of an assignment or withhold release of a completed appraisal report because of untimely payment of an appraisal fee on a prior case.

Request for Assistance in Payment

<b>Appraiser Name</b>				<b>Date of Submission</b>
<b>Office Mailing Address</b>	<b>Office Telephone Number</b>	<b>FAX Number</b>	<b>E-Mail address</b>	
<b>VA Loan Number</b>	<b>Date of Invoice</b>	<b>Date of Appraisal</b>	<b>Property Address</b>	
<b>Lender Info</b>				
<b>Lender name:</b>				
<b>Point of Contact:</b>				
<b>Phn # or e-mail:</b>				
<b>Requests for payments</b>				
List your contact attempts for payment below. (minimum of <b>three</b> required)				
	<b>Person Contacted, Lender name</b>	<b>Contact number</b>	<b>Date of Contact</b>	<b>Notes</b>
1				
2				
3				
4				
5				
6				
	<b>Invoice attached (required)</b>		<b>1805 Attached (required)</b>	
<b>*****Please notify VA upon receipt of payment*****</b>				
<b>APPRAISER CERTIFICATION</b>				
I certify that all statements and information furnished in this document are true, complete, and correct to be best of my knowledge.				
<b>Your Signature and Date</b>				

## **Desk and Field Reviews of Appraisal Reports**

Every appraisal report will be desk-reviewed by a LAPP Lender's Staff Appraiser Reviewer (SAR), by a VA Staff Appraiser, or both, to verify

- the report was submitted timely,
- the Fee Appraiser's conclusions of value are consistent, sound, supportable, and logical,
- the report was prepared in accordance with acceptable appraisal techniques and standards (USPAP), and
- the report was prepared in accordance with VA's instructions.

In addition, all appraisal reports are subject to field review by VA staff or by the LAPP lender.

## **Quality Control and Standards**

All appraisal reports are reviewed for both Work Quality and Timeliness. Non-acceptable quality or timeliness findings in any appraisal will be classified as Negative Work Quality Findings or Negative Timeliness Findings. All Negative Work Quality Findings are further categorized according to their significance into **Substantive** or **Non-Substantive** Findings.

A **Substantive** negative work quality finding will generally be assessed where VA has determined that the fee appraiser made a serious error of fact or methodology that materially impacts the appraised value or condition of the property. Examples include, but are not limited to:

- Fraudulent reporting (misrepresentation of a material fact in the appraisal)
- Appraising the wrong property
- Failing to require necessary MPR repairs that may result in damage to the veteran
- Repeating or failing to correct non-substantive errors after notification by VA
- Continued disregard for VA instructions or requirements after they have been called to the Appraiser's attention
- Serious USPAP violations

A **Non-Substantive** finding is generally one in which VA has determined that the fee appraiser made a relatively minor error of fact or methodology that did not impact the final value or the reported condition of the property. Examples include, but are not limited to:

- Failing to provide required information on the URAR (e.g., Remaining Economic Life, HOA dues on PUD appraisal)
- Misreporting of distances between subject and comps
- Inconsistency within the URAR (e.g., room count differs from page 1 to page 2) \*\*
- Failing to adequately describe reasoning in support of adjustments \*\*
- Using time adjustments not supported or documented by pending sales or listings \*\*
- Making insupportable or "wrong-way" adjustments (plus instead of minus or vice versa) \*\*
- Minor USPAP violations



**Note:** The errors marked \*\* could also be deemed substantive, depending on the degree to which value is impacted.

Documented negative timeliness or quality findings can form the basis for administrative action by VA against a Fee Appraiser. Additionally, an appraiser who exhibits chronically deficient customer service, as evidenced by documented unprofessional conduct or repeated complaint calls and letters from program participants, may also be subject to administrative action.

### **Contact with Lenders and Other Parties of Interest**

At the time of the appraisal, you should willingly accept, from any party of interest, any information they want to provide. This will lead to better customer service and reduce the number of complaints.

Fee Appraisers may not discuss valuation, conditions, or any other issue relating to the contents of their reports with anyone except for VA Staff or the LAPP Lender's Staff Appraiser Reviewer (SAR).

Parties of interest other than the VA or SAR may contact fee appraisers only to inquire about the status of the assignment and the expected time frame for completion. If one of these other parties attempts to engage you in a discussion of the appraisal contents, you should politely decline to discuss the report and refer them to the LAPP SAR or to VA. There are two partial exceptions to this rule. Once the appraisal report has been submitted to the LAPP lender and **after** the LAPP NOV has been issued, the Lender's Handbook permits **any party of interest** to request reconsideration of value from the Fee Appraiser. While such requests should come to you **through the LAPP lender**, you might on occasion be contacted directly. In that event, you should politely explain that the value reconsideration process is coordinated best and most efficiently through the LAPP SAR (and that under the LAPP program, the VA Lender's Handbook does in fact **require the issue to be handled in that way**). Parties of interest other than the SAR **may** contact fee appraisers for clarification of repair requirements and/or to schedule repair inspections after the NOV has been issued. You should cooperate on such requests.

**Note:** *LAPP lenders are responsible for the actions of their authorized agents, correspondents, and affiliates.*

### **Complaints**

The Cleveland Regional Loan Center shall consider a lender's valid report of complaint as a basis for administrative (disciplinary) action. Administrative action, if appropriate, shall be based upon a thorough VA review of:

- the facts and evidence presented in support of the allegation(s),
- full consideration of any response provided by fee appraiser, and
- the number of previous cumulative negative findings and/or complaints documented in the fee appraiser's performance folder.

## **Use of Assistants**

VA fee appraisers must comply with VA's policy concerning assistants. An appraiser who has relied on significant professional assistance from any individual in the performance of the appraisal or the preparation of the appraisal report must name the individual and the specific tasks performed in the reconciliation section of the report.

### ***The fee appraiser assigned by VA must personally***

- view the interior and exterior of the subject property and the exterior of each comparable,
- select and analyze the comparables,
- make the final value estimate, and
- sign the appraisal report as the appraiser.

The VA fee appraiser may not delegate any of these four important functions to an assistant, even though that person may be licensed or certified. The individual who signs the URAR as the appraiser must be the VA fee panel member who was assigned on the rotational basis by VA.

The URAR (and the accompanying Freddie Mac 439/Fannie Mae Form 1004B) acknowledges the use of assistants and, in some states, is viewed as complying with the intent of the Real Estate Appraisal Reform Amendments (Title XI) of Financial Institutions Reform Recovery and Enforcement Act (FIRREA) when an unlicensed or uncertified appraiser working as an employee or subcontractor performs a significant portion of the appraisal (or the entire appraisal, if he or she is qualified to do so), as long as the appraisal report is signed by a licensed or certified supervisory appraiser. While the URAR acknowledges this practice, be advised that **this is not acceptable to VA.**

Essentially, the activities that an assistant can perform alone without the VA fee appraiser are extremely limited. VA will allow an assistant to sign a report as an assistant in order to document qualifying experience for future licensing and certification purposes. However, even in this situation, the primary signatory on the report must be the authorized fee appraiser. Failure to comply with VA's requirements in this area will constitute a basis for removal from the fee panel.

The specific tasks completed by the assistant must be documented in the appraisal report.

## CHAPTER 3

### VA APPRAISAL REQUIREMENTS

**Note:** *The following information is provided to emphasize or to supplement the Lender's Handbook material.*

#### **USPAP**

Every VA appraisal must meet USPAP requirements for a complete appraisal, but may be issued as either a self-contained Appraisal Report or a Summary Appraisal Report. VA prior approval is required prior to performing a "restricted" appraisal.

#### **Approaches to Value**

##### **Sales Comparison Approach**

VA relies exclusively on the sales comparison approach to value, except in very unusual circumstances involving inadequate or nonexistent comparable sales or an extremely unique property. The VA value estimate should never exceed what has been indicated through the sales comparison approach. This approach recognizes that a well-informed purchaser will generally pay no more for a property than the price of acquiring a similar property of equal desirability and utility without an undue delay.

The appraiser must select the three best comparable sales available and properly adjust the sales price of each one for differences between it and the subject property. The goal is for the VA value estimate to not exceed the price at which similar properties can be purchased in the current market. The appraiser must adequately explain any reliance on sales that are not truly comparable to the subject.

Comparable sales should preferably exhibit a narrow price range. A wide range in the sales prices of comparables before or after adjustment must be adequately explained.

Comparable sales should be recent sales, typically within 6 months and generally not more than 12 months old. In some markets, sales over 6 months old may be considered outdated. The use of sales over 6 months old must be adequately explained.

Additional current sales data is required (Closed, Pending, Listing) under the following circumstances:

- If two of the three sales have closed dates older than twelve (12) months.
- When the adjusted values indicated by the comparable sales are too widespread (total spread, high or low, exceeds 15%) or are inconclusive.
- If two of the three sales required excessive adjustments.
- When the market is declining/increasing and additional support for a time adjustment is required.

## **Income Approach**

If the appraisal involves an income-producing property (more than one living unit), the appraiser will use value estimates developed through both the income approach and the sales comparison approach in the final reconciliation.

**Note:** For VA purposes, a veteran may purchase a dwelling of up to four living units, as long as the veteran occupies one of the units. In valuing such properties, consideration must be given to the income-producing potential of the remaining unit(s), whether or not the veteran actually plans to rent them out.

## **Cost Approach**

You are not required to provide the cost approach to value on any VA appraisal. Since the residential real estate market does not base transaction decisions on a property's reproduction or replacement cost, the cost approach to value may only be used to support the sales comparison approach in the final reconciliation. This may be warranted in rare situations (due, for example, to some unusual aspect of the subject) where the comparable sales alone do not provide an adequate indication of value.

**Note:** The only time the site value should be included in the report is when the entire cost approach is utilized to support the sales comparison approach to value.

**Note:** Any LAPP appraisal wherein the final value was based to any material degree on the cost approach must be sent to VA rather than the lender. The lender must be notified of this.

## **Appraisal Report Forms**

All VA real property appraisals are to be completed using ***one of the following forms***:

- ***Uniform Residential Appraisal Report (URAR)***, Freddie Mac Form 70 / Fannie Mae Form 1004 [unless the property is a condominium unit or is income-producing (more than one living unit)]
- ***Individual Condominium Unit Appraisal Report***, Freddie Mac Form 465 / Fannie Mae Form 1073, if the property is a condominium unit
- ***Small Residential Income Property Appraisal Report***, Freddie Mac Form 72 / Fannie Mae Form 1025, if the property has two to four living units
- ***Manufactured Home Appraisal Report***, Freddie Mac Form 70B/Fannie Mae Form 1004C, dated March 2005
- ***Exterior-Only Inspection Residential Appraisal Report***, Freddie Mac Form 2055 / Fannie Mae Form 2055, only for a VA liquidation appraisal when interior access cannot be obtained on an **occupied** property after making three attempts to gain access

## **Completing the Uniform Residential Appraisal Report (URAR)**

The URAR should be fully completed, in accordance with the following instructions and guidelines. Be sure to **complete all items of the URAR**; do not leave any item blank. (Indicate N/A if not applicable.) Do not use phrases such as “in lender’s file” or “see prelim.”

### **A. Subject Section**

- Full VA case number with “LAP” prefix, if applicable
- Borrower: State **“ANY QUALIFIED VETERAN”**. Omit a specific borrower name. (Note: for Liquidation reports, borrower is N/A).
- Lender/Client: State **“The Department of Veterans Affairs”** in all reports. Omit a lender name.
- Address: State **“Intended User is any VA approved lender”** in all reports. Omit a specific lender address.
- The property owner’s name should be on the report, even if the owner is a veteran.

### **B. Contract Section**

- Explain the results of the analysis of the sales contract or explain why the analysis was not performed.
- Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? **IF YES**, report total dollar amount and describe the items to be paid.

### **C. Neighborhood Section** [Note: Items marked with \*\* may be provided on “Client Requirements Addendum” in lieu of URAR]

- Neighborhood market analysis should be consistent and relate to all other analysis and comments throughout the report
- Predominant occupancy grid
- Single family housing
  - price - typical range, predominant value
  - age - typical range, predominant age
  - in comments, describe the types, ages, unit mix of the neighborhood
  - address any marketability factors relating to the subject property if it is outside of the typical or predominant age/value range of the neighborhood
- Present land use grid
- Land use change grid
- Comment on any rating other than “not likely”
- Neighborhood boundaries
  - delineate the north, south, east, and west boundaries of the neighborhood based on major arterial streets/roads or other geographic or governmental demarcations
- Comments - Use an addendum, if necessary, to fully describe:
  - location of community
  - amenities

- location deficiencies and/or
  - inharmonious buildup which affects marketability and/or market value
- General market conditions - comment on:
  - predominant financing in area (e.g., “Financial assistance is not prevalent in the subject’s market” or, if included in a transaction, “I have analyzed and adjusted based on market impact.”)
  - prevalence of sales or financing concessions (e.g., If seller’s concessions are included in a transaction, “Seller’s concessions are generally accepted as normal marketing conditions and have no effect on value.”)
  - \*\* whether marketing time (listing period) in subject’s market area is increasing or decreasing (e.g., “In the last 3 months, the listing period in the subject’s market area has decreased from 180 days to 90 days).
  - \*\* average listing price to sale price ratio. Appraiser will use professional judgment to estimate this ratio if unable to determine from available data sources.

In **every case**, the appraiser **must**:

- analyze sales listings, contract offers and unsettled sales to determine if market conditions changed between the date each comparable sold and the date of the subject property appraisal.

This is especially important in markets with rapidly increasing or decreasing values. If the subject property is in a new subdivision, the analysis must include the builder’s closed sales; sales in competitive subdivisions; and sales of similar existing properties (2 sales inside and 1 sale outside new subdivision or 3 sales inside, but by 2 different builders).

- certify, either in the “Neighborhood” section of the URAR or on the Client Requirements Addendum, “I have considered relevant competitive listings and/or contract offerings in the performance of this appraisal and in the trending information reported in this section. If a trend is indicated, I have attached another addendum providing relevant competitive listing/contract offering data.”
- indicate if a time adjustment is warranted in an increasing or declining market. If a time adjustment is not made, you must state in your analysis why no adjustment was made.
- provide a listings/offers addendum if either
  - a time adjustment is made in the “Sales Comparison Analysis” section, or
  - a significant market transition is indicated in the “Neighborhood” section (due to changes in employment opportunity, housing supply/demand, average marketing time, seller concessions, etc.).
- If an addendum is required, it must provide the following information regarding at least three competitive listings or verifiable, bona fide contract offerings considered the most similar and proximate to the subject:
  - the type of information usually found in an MLS entry or other listing,
  - how long each property has been on the market (total time listed),
  - any change in the listing price of each property (if known), and
  - a short statement comparing the property to the subject.
- Contract offerings are more desirable than listings and should be given more weight.
- Any new construction contract must clearly identify every optional item and variation from

- the basic house type and any sales/financing concession included in the sales price.
- Listings must be properly identified and may include a legible copy of an MLS entry.
- Although not required, it may be helpful to make adjustments or otherwise use a sales comparison analysis grid.

**Note:** Sales listings, contract offers, and unsettled sales ***must not be used as comparables***. However, if such data is clearly identified and fully explained, it can be used as supporting data and used to support time adjustments.

#### **D. Condo Section**

**Note:** The approved Condominium list is available through the Veterans Information Portal (VIP) located at <https://vip.vba.va.gov>. Click on CPB option under “Featured Items and Information.”]

- Complete for properties located in condominium project.
- Comment on pending litigation, if any.

#### **E. Site Section**

- Provide accurate lot size, frontage, and depth.
- Identify if corner site, cul-de-sac, etc.
- Indicate zoning - both specific community designation code and description required, identify equestrian zoning, if applicable.
- Identify highest and best use - comment required if this is other than "present use."
- Utilities block:
  - when utilities are not public, indicate actual source
  - specify whether water and sewer are public or private; wells are individual or community
  - if public water or sewer is available in close proximity but subject is not connected, appraisal must be conditioned for connection. If utilities **are not** in close proximity and connection would not be feasible, appraiser must comment.
- Off site improvements block
  - describe type of street surfaces - comment if atypical for the neighborhood
  - indicate if private road - if so, property acceptability is subject to submission of evidence of **both**
    - legal right of access (i.e., recorded easement)
    - maintenance agreement (if maintenance cost to assure year-round access is significant, must be conditioned for approval). Maintenance agreement must be signed by all property owners on the road and must be recorded at County Recorder's Office.
- Site description block - describe site as to:
  - topography, usable land
  - size
  - shape
  - drainage
    - indicate whether adequate or inadequate



- if inadequate, explanatory comments are required and appraisal must be conditioned for correction of drainage problem
- view - describe (e.g., residential, commercial, park, water, golf course, etc.)
- landscaping - describe (full, front only, minimal, etc.)
- driveway surface (asphalt, all-weather, gravel, etc.)
- apparent easements
- flood hazard information (Federal Emergency Management Agency (FEMA) map)
  - specify whether the subject property is in a FEMA Special Flood Hazard Area
  - identify FEMA zone, FEMA map number, and map date
  - Note: “unknown,” or “not available,” is **not** an acceptable entry
- Comments (use addendum if necessary) - describe any
  - deficiencies which may detract from the marketability or value of the site -- if none were noted, state: “NO ADVERSE CONDITIONS NOTED”
  - favorable features which may enhance marketability or value can also be noted here
  - airports, railroads, or other noise zone or safety-related zone near the subject property
    - must comment on decibel level for airports
  - note if subject property is in Coastal Barrier area

## **F. Description of Improvements Section**

- General description
  - units: should be 1 (if 2 to 4 living units, use the Small Residential Income Property form rather than the URAR)
  - stories: 1.0, 1.5, 2.0, 2.5, etc.
  - type - indicate attached or detached
  - design: indicate style (example: ranch, colonial, Cape Cod, split-level, bungalow, etc.)
  - existing/proposed - indicate status of construction
  - age - actual chronological age in years (if less than one year, specify number of months or provide date of completion)
  - effective age:
    - stating as a narrow range is acceptable
    - any significant variance from actual age should be reflected in any condition adjustment
- Exterior description:
  - foundation - indicate concrete slab, poured concrete, concrete block, cinder block, brick, stone, etc. (if none, so state)
  - exterior walls - indicate primary material (brick, stucco, wood, etc.)
  - manufactured house: enter yes or no (also indicate if on permanent foundation)
- Foundation description
  - slab/crawl/basement/sump pump
    - indicate yes, no, none, etc., as applicable
    - explain variance of foundations (e.g., slab under family room, crawl under rear addition, etc.)
  - dampness (mold/settlement, infestation - indicate “yes” or “none observed,” as appropriate)

**[Note: If evidence of one or more of these conditions is present, thoroughly comment on the location and severity of the problem. If possible, indicate location on sketch. Appraisal should be conditioned to require correction/repair of the indicated problem.]**

- Basement description
  - estimate percentage of basement or lower level rooms having finished ceiling/walls/floor
  - describe types of surfaces
  - describe rooms (family room, den, bedroom, recreation room) and amenities (fireplace, wet-bar, etc.) on additional lines or in comments section
- Insulation description
  - indicate “unknown” unless able to verify
  - energy-efficiency features such as solar panels, storm windows, thermo glazed windows, insulation wrap, set-back thermostats, etc. can be noted in space at bottom of this section or in comments section below (as well as on the indicated line of the adjustment grid)
- Room list
  - basement level - applicable to basement or lower levels of split level
  - level 1 - includes all finished living area at grade level
  - level 2 - includes all finished area above the first level
  - an additional line is available for a third level, if needed
  - room count and square feet of GLA - Note: all living areas must have adequate heat as defined in MPRs
- Interior section
  - state surface materials and **condition** of each item
  - heating/cooling - specify type and condition
  - kitchen equipment - indicate built-in appliances (note: non-built-in or free-standing equipment is generally considered personal property and not considered in value)
  - attic - indicate as applicable

#### **G. Comment Section (use addendum if necessary)**

- Additional features: energy efficient items (see note regarding insulation, above), as well as other features (vaulted ceilings, etc.)
- Condition of improvements/depreciation:
  - describe deferred maintenance not severe enough to require repair, such as a marginal (non-MPR) deficiency that presents no hazard to the occupant and/or the property improvements, or a cosmetic deficiency due to age, wear, or market appeal, describe the quality of construction
  - required repairs must be
    - limited to those needed to remedy VA MPR deficiencies
    - clearly described so they can be identified and cleared by another person in the event of the appraiser’s unavailability
  - occasionally, at request of a party of interest, a non MPR repair may be required. In such cases, appraiser must state reason for repair.

- detail updating, and/or replacement over the last 5 years (furnace, roof, etc.)
- detail functional obsolescence in relation to current market demand, floor plan, effect of additions, auxiliary heat, etc., when applicable (discussion of effective age versus chronological age can go here)
- detail external inadequacies/economic obsolescence commented on under neighborhood comments section or Site Comments section as to view/proximity to adversities
- office space or areas designed or used for nonresidential purposes may not exceed 25 percent of the total floor space (per VA MPRs)
- mechanical equipment must be detailed in comments section
- additional features include
  - additional furnace equipment
  - other major mechanical equipment
- in-ground pools are to be considered in value. Remember to include the additional value of substantial decks, patios, etc. around the pool area. Caution: Lower priced homes with substantial in-ground pools should be looked at as an over improvement and generally no adjustment should be made. Above-ground pools can be considered in value if appropriate in subjects market area.
- small metal utility sheds are not to be considered in value only if the market supports the adjustment. Adjustment should NOT be based on cost.
- out-buildings such as pole barns are to be considered to the extent they contribute to residential utility
- Adverse environmental conditions (not all-inclusive)
  - hazardous waste
  - toxic substances (radon, asbestos, mold, etc.)
  - proximity to gas or petroleum pipelines
  - proximity to high voltage electric transmission lines

## **H. Cost Approach**

VA does not require completion of the cost approach section **except for the estimated Remaining Economic Life** of the property. The Remaining Economic Life must be consistent with the neighborhood analysis. A comment is required if it is less than 30 years.

If the site value is included, the entire cost approach must be completed.

## **I. Sales Comparison Analysis Section**

- Addresses: provide the complete property addresses (house number – street/road name – city/town – zip code) for the subject and comparables (use the actual geographic location of the property, not the mailing address)
- Proximity in relation to the subject
  - if less than 1/2 mile from subject, utilize “block” notation (Example: 5 blocks)
  - also indicate direction relative to subject (e.g., 5 blocks NW)
- Sales price should reflect the actual contract sales price, not present market value
- Data source: PACE, Metro Scan, MLS, etc. - include document # for verification
- Sales or financing concessions - address the effect, if any, on the comp’s sales price

- adjustments to comparables must be made for special and creative financing or sales concessions (i.e. Nehemiah). No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area. These costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comp by comparisons to financing terms offered by a third party institutional lender.
  - adjustments should reflect market reaction to the financing concession and not the dollar for dollar cost to the seller
  - provide comments as necessary to explain any adjustments
- Date of sale
  - should indicate sales closed within the last six months as of the date of time appraisal--exceeding this parameter with justification is acceptable
  - time adjustments must be supported by at least three listings or pending sales - refer to the Lender's Handbook
- Location/site
  - provide lot size of subject and all comparables
  - market value for entire site (highest and best use of property)
- View
  - note specific influences
  - provide photo if a significant adjustment is warranted
- Design/appeal
  - for subject: indicate style (ranch, contemporary, manufactured) or provide other descriptive phrase (one-story or two story)
  - for comps: same as for subject and/or rank each comp relative to subject (equal, similar, inferior, superior)
- Quality of construction
  - rate quality - comment on any quality adjustment used
  - trim, tile roof vs. comp roof, stucco vs. wood siding, etc. should be considered
- Age - state **actual** age of subject and comparables (effective age, if different, should be considered in condition adjustment)
- Condition - rate as excellent/good/average/fair/poor--should be consistent with condition information shown on page 1
- Room count
  - comps should be similar to subject in bedroom count, if possible (adjustment for differences in bedroom or bath count can be made here or under Functional Utility, as long as the report's methodology is clearly discernible to the reviewer - provide explanatory comments as necessary - do **not** make the same adjustment twice)
  - adjustments for room count and gross living area must be shown as separate line items (again, be careful not to "double-adjust" for the same variation under two different line items)
- Gross living area
  - should be as similar to subject as possible
  - adjustments are not required for differences under 50 square feet unless market supports
  - office space or areas designed or used for **nonresidential purposes may not exceed 25 percent of the total floor area**. Storage areas or similar areas which are integral parts of the nonresidential portion are included in calculating the total

percentage of nonresidential area. Contact VA for guidance before completing an appraisal that appears to exceed the 25% limitation.

- Basement & finished rooms below grade - specify percentage of basement finished and the number of baths (for split level residences, show lower level finished square feet and number of baths)
- Functional utility
  - any **adjustments should reflect market reaction** to any functional obsolescence of subject or comparables relative to each other
  - adjustments should be explained in the "Sales Comparison Comments" section and should be consistent with "Condition of Improvements" on page 1
  - see advisory note above regarding bedroom or bath adjustments
- Heating/cooling
  - identify type of furnace and fuel source(central, wall, gas, electric)
  - state whether A/C or none
  - newer furnace or A/C may justify adjustment
- Energy efficient items - replacement windows, solar heat, insulation, etc. can be indicated here and adjusted as applicable
- Garage/Carport
  - if none, indicate if there is off-street or street parking only
  - state garage features (siding, attached, detached, can be considered here)
  - adjust for condition, age, or quality, as appropriate
  - if converted, comment on the extent and quality of the improvement (heating, floor covering, insulation, **permits**, etc.) and whether or not it qualifies as living area or merely storage - note that any adjustments should
    - be based on market reaction
    - balance any gain in living space against the loss of parking facilities
- Porch, patio, deck, fireplace
  - adjustments will be depend on differences in size and quality of porches, patios, decks, fireplaces, etc.
  - natural wood burning fireplace can warrant adjustment but cannot be used as the sole or primary heat source (see VA MPRs regarding heating)
  - fireplaces or free standing space heaters require comment if unit is not vented
- [Blank line] - may be used for
  - additional custom or amenity items, such as full remodel of kitchen or bath
  - kitchen equipment (must be built-in to be included in value)
  - specific upgrades must be listed if adjustment is assigned
- Adjusted Sales Price of Comparables
  - when the **net adjustment exceeds 15%** of sale price, the appraiser must comment as to why a more similar comparable was not used
  - when the **gross adjustment exceeds 25%** of sale price, the appraiser must comment as to why a more similar comparable was not used
  - comment when the dollar difference between the highest and lowest comparables after all adjustments exceeds 10% of the appraised value of the subject property
  - adjustments should be derived from the market via the extraction method and not based on "appraiser judgment"
  - adjustments are not to be used to make a comparable fit to the sale price and/or asking price, but do not appraise under sale price by nominal amount if it falls in

- range of adjusted value
  - appraiser is to fully support and document estimate of value that considerably exceeds actual sale price amount which is provided by lender and/or purchase agreement
- Comments on Sales Comparison
  - ***explain reasoning for all adjustments.***
  - ***explanation for adjustments must be available and defensible.***
  - explain why more weight given to some comps as opposed to others (for example, the least adjusted comparable, the most current sale, two comps weighted toward one value indicator, etc.)
  - attach continuation addendum if needed
- Sales history of subject & comps
  - one year sales history of subject and comparables required
  - county records and/or city data search is acceptable
  - state the source researched
- Indicated Value by Sales Comparison Approach
  - must fall within the range indicated by the comparables
  - should be consistent with reasoning expressed in comments
  - use of averages, medians, and modes is not appropriate appraisal practice

**Note:** Any additions, upgrades, or other improvements (e.g., porches, pools, fireplaces, etc.) to comparables sales made *after* the date of sale should be mentioned in your appraisal report (for the benefit of a future field reviewer).

#### **J. Indicated Value by Income Approach**

Generally not required by VA except for income producing properties (more than one living unit) for which the appraiser should use the Small Residential Income Property form. In that case, appraiser will use value estimates developed through ***both the income approach and the sales comparison approach*** in the final reconciliation.

#### **K. Reconciliation Section (use addendum if necessary)**

- Appraisal should be made either
  - ***As is***, if there are no MPR repairs or other requirements. If so, a statement such as “No repairs or conditions” should be made on the “Conditions of Appraisal” line.
  - ***Subject to repairs, alterations, inspections, or conditions***, if the final value is contingent upon completion of such requirements. If so, these repairs, alterations, inspections, or conditions must be listed on the “Conditions of Appraisal” line or on a referenced addendum. Any repairs should be limited to those necessary to remedy an MPR deficiency. Conditioning for installation of customer preference items that were missing as of the date of appraisal is acceptable on new construction appraisals. Be sure to provide a fully itemized list. Inspections from roofing, etc. specialists should not be requested arbitrarily.
  - ***Subject to completion per plans and specifications***, if the property was not complete (at least to the point of customer preference items) at the time of appraisal **and** the value was based upon a review of plans and specs furnished by the lender or builder.
- Final reconciliation correlates all approaches to value and explains which approach has been assigned the most weight and why.

**Note: Remember that VA relies exclusively on the sales comparison approach to value (except in very unusual circumstances involving inadequate or no comparable sales available or an extremely unique property). On a VA appraisal, the value estimate should never exceed or be below the amount indicated by the sales comparison approach. This approach recognizes that a well-informed purchaser will generally pay no more for a property than the cost of acquiring a similar property of equal desirability and utility without undue delay. If either of the other two approaches to value is given any weight, a full explanation must be provided.**

- Final estimate of market value should generally be the same as the indicated value by sales comparison approach (as explained in the above “Note”). The effective date of the report should be the date you inspected the property.
- The report must be signed and dated. Provide your State Certification or License number in the space indicated.
- The Supervisory Appraiser section is not used for VA purposes.



## CHAPTER 4 LIQUIDATION APPRAISALS

### **Basic Liquidation Appraisal Guidelines**

Detailed instructions outlining specific VA requirements for performing liquidation appraisals are found in the Lender's Handbook. The following highlights are offered for emphasis. Many private software products are offered and they are acceptable as long as they provide additional information above the minimum documentation on the VA Liquidation Addendum sheet.

Appraise all foreclosure or liquidation assignments for current market value as residential use.

### **Access to Interior**

If a property is vacant, access must be gained. Request assistance from the servicer/lender if you are having difficulty gaining access. If assistance is needed, a sample form that can be sent to the servicer/lender is included in this packet.

If the property is occupied, the appraiser must gain access. If the appraiser is not able to contact the occupants, a sample letter that can be left at the property is included in this packet.

If, after three valid attempts to reach the owner or the servicer/lender, the appraiser

- must document the appraisal report, or its addendum, with the dates, names, and telephone numbers of all individuals contacted in attempting to gain access to the property and a brief description of the responses received.
- must make reasonable efforts to verify the interior conditions by the best available means (such as through a listing service data source, property assessment records, interviews with neighbors or others knowledgeable about the property).
- in the absence of factual information, must make reasonable assumptions about interior conditions as they relate to physical inadequacies or needed repairs (both VA Minimum Property Requirement-related and cosmetic) that impact value.
- Freddie Mac Form 2055/Fannie Mae Form 2055, Exterior-Only Inspection Residential Appraisal Report, will be used when interior access on an occupied property is not gained.

### **Contacting VA**

The VA must be contacted by e-mail at [325cnv@vba.va.gov](mailto:325cnv@vba.va.gov) if the liquidation appraisal cannot be completed timely. An e-mail must then be sent to the same e-mail address at a minimum of every 5 business days until the appraisal is completed.

### **URAR Must Be Made "As Is"**

All liquidation appraisals will be performed considering the subject property in its present "as is" condition. It is important to understand that by "as is," we simply mean that the property is to be considered as it presently stands with whatever physical inadequacies may exist, if any.

Furthermore, the term "as is" does not imply that the property is necessarily in a poor state of

repair. A property that is in a good state of repair with no physical inadequacies is also considered “as is.” To arrive at the “as is” value, fee appraisers are to make appropriate adjustments in the sales comparison analysis to reflect needed repairs and/or physical inadequacies present in the subject property at the time of the appraisal. Both required MPR repairs **and** non-MPR (or cosmetic) repairs should be considered if they would enhance the value or marketability of the property to the typical buyer in the local real estate market.

The fee appraiser will provide an itemized list of all repairs (MPR and non-MPR) considered necessary and which affect the marketability of the property. The itemized list will indicate the estimated cost to cure and the contributory value, if any, of each repair. In estimating the contributory value, it should be recognized that cost does not always equal value, and in some cases, several individual repair items must be considered in the aggregate before they are recognized by the general real estate market as contributing to value. The required format for the repair list is included as part of the Liquidation Appraisal Addendum [in Chapter 11 of the Lender’s Handbook].

### **Selection of Comparables**

Comparables must be the best available in the subject’s market area, considering typical transactions and actions of typical buyers and sellers. Comparables must not be restricted solely to those in a similar “as is” condition. A property in the immediate area but in a better condition than the subject may, with proper adjustments to the sales price, be a better indicator of value than a comparable in a similar condition but in a different area.

### **Required Liquidation Addendum**

In addition to the itemized repair list and the documentation on access attempts as discussed previously, the Liquidation Appraisal Addendum must be used. VA requires the following information

- **Emergency Repairs** - Beyond the MPR repairs and non-MPR repairs as discussed previously, the fee appraiser must also provide a list and cost estimate of any emergency repairs that are required to preserve or protect the property from vandalism, extreme weather conditions, or to protect the public. In all liquidation cases, regardless of when completed, the appraiser needs to provide a specific statement concerning if the home was winterized. The statement needs to be specific and indicate the home was or was not winterized and the date. If it is not known if it was winterized, state “Unknown.” If the date of winterization is not indicated, state “Date of winterization is not known.”
- **Occupancy Information** - (if necessary, use “Comments/Continuations” section)
  - If **vacant**, recommendations for draining the heating and plumbing systems, shutting off power lines, and locking doors and windows (this information may be included with the “emergency repairs”).
  - If **owner-occupied**, the occupant’s name.
  - If **tenant-occupied**, period of occupancy, lease terms and expiration date, monthly rental, dates of payment, and to whom payable.

- **Analysis of Competitive Listings or Contract Offerings** - Fee appraisers shall provide in all liquidation appraisal cases, in addition to the three closed sales on the appraisal report form, information on at least three competitive listings or contract offerings considered the most similar and proximate to the subject property and certain general market information as specified below. This information is intended to lend additional support to the value estimate and assist VA staff in evaluating competing market conditions and trends affecting the subject property (especially in areas that are experiencing significant market fluctuation, negative or positive). It is also intended to assist in ensuring that fee appraisers are rationalizing the closed sales data with current market conditions. **Note: The competitive listings addendum is required for all liquidation appraisals** (unlike origination appraisals, for which the Lender's Handbook mandates the use of a listings/offers addendum only if a time adjustment is made or if a "significant market transition is indicated"). Listing information and adjustments are to be provided on the URAR grid.

**Sample Letter  
Interior Access to Occupied Properties**

You are to affix the letter below to the front door of occupied properties when you have not been able to contact the occupant(s).

Veteran's Appraisals  
South Main Street  
Cleveland, OH 12345

Date: \_\_\_\_\_

Dear \_\_\_\_\_:

My name is: \_\_\_\_\_. I have been assigned by the Department of Veterans Affairs (VA) to complete an appraisal on your property because of the possibility of foreclosure action in the near future.

Please call my office at (216) 123-4567 within 24 hours to arrange for an appointment so that I may view the interior of your property to enable you to receive a proper estimate of the value of your home.

Not allowing me to view the interior of your home will not stop the foreclosure from taking place. In fact, your future liability to the government may increase, since I may need to make assumptions about the interior condition of the property if access is not gained.

If you have any questions concerning this appraisal assignment, please call VA Construction and Valuation Section at (800) 729-5772, option #2.

Sincerely,

VA Fee Appraiser

**VA Appraisers Liquidation Information Sheet  
For Vacant Properties**

**VA File Number** \_\_\_\_\_

Please use this form or format for all **Liquidation** assignments when the subject property is vacant. **Upon notice, the holder is to contact the VA Fee Appraiser and provide assistance to gain access to the property. Failure to provide prompt access to the property may subject the lender to additional fees and costs.**

**TO: Lender** \_\_\_\_\_ **Lender Case # (If Available)** \_\_\_\_\_

**Lenders Contact** \_\_\_\_\_ **Phone** \_\_\_\_\_ **Fax** \_\_\_\_\_

**Property Address** \_\_\_\_\_

**City** \_\_\_\_\_ **State** \_\_\_\_\_ **Zip** \_\_\_\_\_

**Upon Field inspection, the subject property appeared to be vacant. Please make arrangement for access so that I can complete the appraisal assignment.**

**Date Fax Sent to Lender** \_\_\_\_\_ **Appraiser's Signature** \_\_\_\_\_

**I have sent the lender a copy of this fax on date listed above. It has been 5 working days, and I still have not gained access to the property.**

**Date Fax sent to VA** \_\_\_\_\_

**Appraiser's Signature** \_\_\_\_\_

**Contacts/Comments.**

**Sample Format to Document Access Information for Subject Vacant Property**

Local servicing agent access information noted on VA Form 26-1805 not correct. Called one holder on 6/17 (Access Mortgage, 000-555-2222, Mr. Entry.) Advised keys would be sent. Received keys on 6-23. Wrong ones. Call Mr. Entry 6/23, correct keys received on 6/28. Assignment completed 6/29.

Appraiser must email access problems that remain unresolved after 5 WORKING days to the Cleveland Regional Loan Center (RLC) at

[325cnv@vba.va.gov](mailto:325cnv@vba.va.gov)

The appraiser must send updated emails every 10 working days on unresolved cases providing status on the case.

**FROM: Appraiser** \_\_\_\_\_ **Phone** \_\_\_\_\_ **Fax** \_\_\_\_\_

## LIQUIDATION APPRAISAL ADDENDUM FOR CASE NO. \_\_\_\_\_

<u>Date</u>	<u>Time</u>	<u>Phone</u>	<u>Name of Contact</u>	<u>Comments</u>
-------------	-------------	--------------	------------------------	-----------------

**(If unable to gain access, YOU MUST show three attempts to schedule appointment / entry refused)**

**\*\*Form 2055 Exterior only inspection, residential appraisal report, is to be used only on VA liquidation appraisals when interior access cannot be obtained on an **occupied property** and only after 3 valid documented attempts.\*\***

**GAINED ACCESS:** YES, Date \_\_\_\_\_ / NO  
**PROPERTY:** VACANT / OCCUPIED  
**PROPERTY:** SECURED / UNSECURED  
**PROPERTY:** WINTERIZED / NOT WINTERIZED  
**UTILITIES:** ON / OFF

Required to be reported for **ALL** liquidation appraisals.

## REPAIRS NEEDED

<u>Description</u>	<u>Est. Cost</u>	<u>Est. Contributory Value</u>
--------------------	------------------	--------------------------------

**Totals** \$\_\_\_\_\_ \$\_\_\_\_\_

## ANALYSIS OF LISTINGS AND OFFERS:

No. 1 - Sales Price (current and previous with dates of change) \$\_\_\_\_\_

## Days on Market \_\_\_\_ Comparison with Subject

No. 2 - Sales Price (current and previous with dates of change) \$\_\_\_\_\_

Days on Market \_\_\_\_\_ Comparison with Subject

No. 3 - Sales Price (current and previous with dates of change) \$\_\_\_\_\_

### Days on Market \_\_\_\_\_ Comparison with Subject

**COMMENTS/CONTINUATIONS:**

## CHAPTER 5 MANUFACTURED HOUSING ON PERMANENT FOUNDATION

As with all real property appraisals for VA, requests for will be made via VA Form 26-1805-1 (Request for Determination of Reasonable Value).

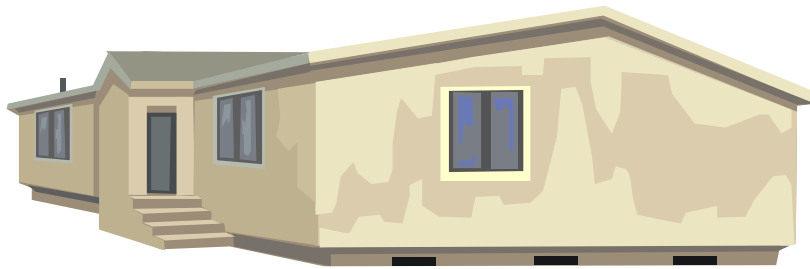
To be eligible for a VA loan term of 30 years, a manufactured home must

- ***be classified and taxed as real property,***
- be properly affixed to a ***permanent foundation,***
- substantially conform with VA MPRs, and
- conform with applicable building code and zoning requirements for real estate.

### **Basic Requirements**

- Appraiser must state on the URAR that the subject manufactured home **is** or **is not** on a permanent foundation (including a permanent perimeter enclosure if required by the local authority).
- Perimeter enclosures must meet the requirements of the local authority and must
  - be solid,
  - have adequate ventilation, and
  - have access to the crawl space.
- If there is no access to the foundation, contact the requester and have them make arrangements for access and have them contact you for a re-inspection of the foundation.
- If the subject manufactured home is not on a permanent foundation, appraise it as if it were on an acceptable permanent foundation and condition your URAR “*subject to repairs . . .*”
- The sale of other manufactured homes on permanent foundations shall be used as comparables in the market data analysis. If the appraiser’s report states that such comparables are not available, the appraiser may use the best comparables available and adjust as appropriate in the market grid.
- Regular vertical or horizontal woven or slatted metal skirting are not acceptable (solid metal skirting is acceptable).
- The tongue, wheels, and axles must be removed. Be sure to condition your URAR accordingly (“*subject to removal of . . .*”).





## **Summary**

This is a summary of the various manufactured housing appraisal requirements. Consult the Lender's Handbook for full, detailed instructions.

**Existing Construction** - Foundation for a manufactured home has been fully completed, and the manufactured home unit has been installed. ***Note: Always provide the date the unit was installed on the foundation.***

- The site, manufactured home unit, and other on-site improvements must meet VA MPRs for existing construction.
- The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads and is acceptable to the building authority having jurisdiction.

***Note:*** If the fee appraiser has reasonable doubts as to the acceptability of the foundation system *where there are no local requirements*, a statement from a registered professional engineer is required. Considering their cost, such statements should be required only when necessary and not just as a measure of liability protection for fee appraisers

**Proposed or Under Construction** - Foundation for a manufactured home has ***not*** been fully completed and the unit has ***not*** been installed. Appraisal will be based on plans and exhibits as well as inspection of the unit, if on site.

- The site and on-site improvements (but not the manufactured unit itself) must meet the VA MPRs for proposed construction.
- The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads, and is acceptable to the building authority having jurisdiction.

## **Required Exhibits Accompanying 26-1805-1**

Specific requirements for acceptable manufactured housing foundations are provided in the Lender's Handbook.

## **Other Appraisal Requirements**

The appraiser must enter the manufactured home unless it is ***both new and has not been delivered to the dealer or to the site.***

## CHAPTER 6 PROPOSED CONSTRUCTION

### Basic VA Requirements

The following highlights and/or supplemental guidelines are provided for reference for proposed construction:

- When appraising proposed construction cases, only those features incorporated in the plans and specifications are to be considered in the estimate of reasonable value.
- If the sales contract or plans and specifications are not in agreement with the existing construction, contact the requester for clarification or a change order.
- Required construction exhibits, which should accompany the 26-1805, are listed in the Lender's Handbook.
- VA Form 26-1852, Description of Materials, is no longer required but is still the preferred method. The builder may use an alternate format as long as it is sufficiently detailed for VA appraisal purposes.
- Plans and specifications must be 8 1/2 x 14. Do not forward full size plans and specifications to VA.
- Appraise the property as **new construction (existing)** if customer preference items (e.g., carpet, wallpaper, kitchen appliances, light fixtures, exterior escrow items, etc.) are the only items to be completed. Plans and specs are **not** required to do the appraisal in these cases (remember to check "subject to repairs" and list all the incomplete repair items with a cost estimate).
- Appraise all proposed construction cases as proposed if more than customer preference items remain to be completed (i.e. driveway, sheet rock, shingling of the roof, grading, etc.).
- Closed sales and any contracts for sale must clearly show any sales incentives, optional items, and type of financing so that their effect on the final estimate of value may be considered.
- Appraisal requirements that are unique to proposed construction are covered in Chapter 11.

### **Appraiser's Certification**

The following appraiser's certification must be placed next to the sketch on all VA proposed cases:

***"I hereby certify that the information contained in \_\_\_\_\_ specific identification of all construction exhibits (e.g., Smith Construction Plan Type A, 9 sheets, VA Form 26-1852 or other specifications, plot plan by Jones, Inc.)] was used to arrive at the estimate of reasonable value noted in this report."***

<b>Appraiser's Signature</b>	<b>Date</b>

### **Certification From Architect, Surveyor, Land Planner, or Engineer**

Additionally, in all proposed constructions cases, VA will require certifications from architects, surveyors, land planners, or professional engineers, or other technically qualified individuals approved by VA for such purposes, that the drawings or plans and related specifications submitted are in conformity with applicable VA MPRs. The certification will read as follows:

**"I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping."**

<b>Plan Certifier's Signature</b>	<b>Certifier's Title</b>	<b>Code Number</b>	<b>Date of Certification</b>

Note: VA will accept HUD Form 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification.



## CHAPTER 7 LAPP APPRAISALS

Special Requirements Specific to the Lender Appraisal Processing Program (LAPP):

### **The Role of the LAPP Staff Appraisal Reviewer (SAR)**

Generally the LAPP SAR must ensure that

- the fee appraiser has met VA timeliness requirements [Received, Appraised and Uploaded (RAU)]
- the URAR and all required attachments and addenda are complete and correct
- the appraiser's methodology is appropriate and reasonable and that conclusions are consistent with data
- the appraiser has complied with current VA instructions and USPAP requirements
- the appraiser's opinion of market value is consistent with the current standard definition of market value and VA's regulatory definition of reasonable value

### **Contact and Cooperation with the LAPP SAR**

LAPP SARs are expected to take reasonable steps to resolve problems detected during their appraisal reviews. While branch office staff and authorized agents may contact the fee appraiser about the timeliness or status of a particular appraisal, only the LAPP lender's VA-authorized SAR or Point of Contact (POC) may contact the Fee Appraiser to discuss valuation matters.

LAPP SARs should contact VA fee appraisers directly when any information, or methodology, or conclusion contained in an appraisal report requires clarification, correction, or additional support in order for the SAR to make a prudent decision on the reasonableness of the fee appraiser's market value estimate.

VA fee appraisers are expected to be cooperative with lenders in addressing SAR concerns regarding the content of appraisal reports or timeliness in the completion of their assignments. Lenders are expected to take reasonable steps to mitigate discrepancies encountered with an appraiser's report. VA should not be considered a "**referee**" between the lender and fee appraiser in resolving routine issues.

In any case where the SAR determines that substantive problems with the fee appraiser's report are not correctable through reasonable interaction with the appraiser, the lender will forward the original appraisal report to the C&V Section of the VA office of jurisdiction. The lender's submission will include a written report clearly outlining the difficulties encountered, and the date and outcome of each contact made with the fee appraiser. This will assist VA in monitoring fee appraiser performance and determining what, if any, administrative action may be warranted.

***An amended appraisal report containing any revisions, corrections, or clarifications made by a fee appraiser must be uploaded into TAS.***

## **Fee Appraiser Requirement “TIDEWATER INITIATIVE”**

For full details of the “Tidewater Initiative,” refer to VA Circular 26-03-11.

Before issuing the appraisal report, if a determined value will be less than the sales price of the property, the fee appraiser is required to make contact with the lender in order to give any party to the transaction an opportunity to furnish additional sales data before the appraisal report is completed. If additional sales data is submitted by a lender directly to the fee appraiser in a format similar to the comparable sales grid on the URAR, the fee appraiser is required to provide a response (report) within 5 working days. If analysis of additional data does not support an increase in value, an explanation on company letterhead supporting the decision must be provided to the lender.

## **LAPP Reconsideration of Value**

Specific and detailed instructions for handling LAPP reconsiderations of value are provided in Chapter 13 of the Lender’s Handbook. This includes the roles and responsibilities of the LAPP lender, the fee appraiser, and VA. The following points are mentioned here for emphasis or to supplement the material contained in the Lender’s Handbook:

- LAPP SARs are authorized to issue the NOV with a difference of up to 5% of the appraised value with adequate documentation. This adjustment can be done with or without the appraisers additional input as long as the adjustment can be supported.
- Remember that the LAPP SAR who issued the NOV on a case must handle any request for reconsideration of value. The SAR may contact you to discuss your value conclusion or any other aspect of your appraisal methodology, including comparable selection, adjustments, repairs, etc. The SAR may also ask you to consider additional sales that closed after the date of your report. Please return a copy of the request to the LAPP lender along with your recommendations.
- All requests for reconsideration of value ***must be in writing*** and may be initiated by any party of interest to the transaction.

**Note:** *VA staff is required to review all LAPP cases involving a change in value. All VA Fee personnel will comply with VA Circular 26-04-04, Request For Reconsideration Of Value on VA Appraisals.*

- It is VA policy that fee appraisers process ROV requests on their prior assignments without additional compensation, unless the accompanying data was not available at the time of the original report.
- As stated in VA Circular 26-03-11, a reasonable fee may be charged by the fee appraiser when the ROV request contains data to be reviewed that was not available at the time of the fee appraiser’s report.

## CHAPTER 8 E-APPRAISAL

### Submission of E-Commerce Cases

All appraisal packages are to be assembled and submitted electronically in the following order:

#### **The Appraisal Report And Required Exhibits**

1. The invoice.
2. The appraisal request (VA Form 26-1805-1), if provided by the requester. The appraiser must confirm, and correct if necessary, all information provided by the requester that is pertinent to the value estimate.
3. A properly completed (neatly typed, as required by the revised Lender's Handbook) appraisal report, using one of the following forms, as applicable:
  - *Uniform Residential Appraisal Report (URAR)*, Freddie Mac Form 70 / Fannie Mae Form 1004, unless the property is a condominium unit or is income-producing (more than one living unit).
  - *Individual Condominium Unit Appraisal Report*, Freddie Mac Form 465 / Fannie Mae Form 1073, if the property is a condominium unit.
  - *Small Residential Income Property Appraisal Report*, Freddie Mac Form 72/Fannie Mae Form 1025, if the property has two to four living units.
  - *Exterior-Only Inspection Residential Appraisal Report*, Freddie Mac Form 2055 / Fannie Mae Form 2055, only for a VA liquidation appraisal when interior access cannot be obtained on an **occupied** property after making three attempts to gain access.
4. A building sketch showing the "footprint" of the improvements and room locations. The calculation for the square foot size of the property must also be shown here.
5. Photographs - In proposed construction cases, a front view photograph of each comparable is required, but photographs of the subject property are not required if there are no improvements under construction. If the property is in a condominium more than three units high, no photographs of the comparables are required, provided they are located in the same project as the subject property and are substantially identical to the subject property. In all other cases, each appraisal report requires:
  - one set of original photographs of the subject property (two sets in LAPP cases) showing a front and back view (preferably including a different side view in each photograph) and the street scene, and
  - one set of original photographs of each comparable. Only a front view of the comparables is required.
  - photo of any significant location influence that affects subject property value (example: views, freeways, businesses, etc.)

- photo of any significant structural defect other problem area that you feel is important (example: mold, rubbish, gutted interior, etc.)
6. Any VA-required addenda that provide additional appraisal or repair-related information in support of the fee appraiser's conclusions. (Client Requirements, Liquidation Addendum)
  7. A properly completed Statement of Limiting Conditions and Appraiser's Certification, Freddie Mac Form 439/Fannie Mae Form 1004B
  8. Location map indicating subject and comparables. **Note:** A state or county wide map is not acceptable. The map must be magnified to allow one to determine the location of the property. For new construction, a narrative as to the location of the new subdivision should be included for both the subject and/or comparable properties. (Example: Subdivision is located 1 mile East of Lima road on Smith Valley Road.)
  9. Data source printout of subject property, when access has not been not obtained. (Liquidation cases only)

**Note: While the Fee Appraiser's *complete appraisal file* including data source print-outs of comparables, sales contract, and disclosure statements, need not be submitted with the Appraisal Report, these items *must be made available to VA or to the SAR* upon request.**

## CHAPTER 9 ADMINISTRATIVE ACTIONS

Additional examples of unacceptable conduct or performance in the areas of timeliness, quality, or customer service have been described throughout the preceding chapters. VA expects all fee appraisers to adhere to our general guidelines in all of these areas. Failure to comply will form the basis for administrative action on the part of VA. Repeated violations will result in progressively more severe action. The following summary of deficiencies is not all-inclusive:

- Violation(s) of established VA policies or procedures.
- Substantive negative work quality finding(s) of a nature that would materially or significantly impact the value or condition of the property.
- A series of non-substantive negative work quality findings, which, in the aggregate, would establish a pattern of carelessness or negligent performance.
- Technical incompetence (i.e. appraisal reports which demonstrate insufficient knowledge of industry-accepted principles, techniques, and practices).
- Improper conduct (i.e. conduct or behavior not befitting a professional and/or not in the best interest of VA or of VA program participants).
- Continued disregard for VA requirements after they have been called to the appraiser's attention.

In instances where an appraiser chooses to disregard these guidelines, VA is mandated to take corrective action. VA has discretion to employ a wide variety of administrative (i.e., disciplinary) actions as circumstances dictate. Some of these include:

- **Withholding of Appraisal Assignments** -- imposed by the Valuation Officer for a period of *up to 60 days*.
- **Limited Denial of Participation (LDP)** -- imposed by the Director of the Regional Office for a period of *one year*.
- **Debarment/Suspension** -- imposed by the Director of the Regional Office for a *minimum period of one year*.

### Disciplinary Due Process

Any fee appraiser receiving notification that assignments are being withheld or that other administrative or disciplinary action is being taken will be afforded the opportunity to appeal the action in writing, or in person, or both by requesting a meeting with the Fee Roster Committee at the VA office of jurisdiction.



The Fee Roster Committee typically consists of the Loan Guaranty Officer, the Assistant Loan Guaranty Officer (or another member of Loan Guaranty management), and the Valuation Officer. Appellate rights and procedures will be explained in detail within the disciplinary action letter. If, after all due process and appellate procedures have been exercised, and the disciplinary action is upheld, the fee appraiser is subject to having his or her name and the reason for the disciplinary action reported to the state licensing authorities and/or to any professional appraisal organizations of which the appraiser is a member.

## CHAPTER 10 COMMON ERRORS

The following is a list of items that should be contained within the appraisal report that VA commonly does not find when the appraisal report is reviewed. This is not an all-inclusive list but just the most common errors.

- Borrower should be listed as **“ANY QUALIFIED VETERAN”**
- Lender/Client should be listed as **“DEPARTMENT OF VETERAN AFFAIRS”**
- Lender/Client Address should be listed as **“INTENDED USER ANY VA APPROVED LENDER”**
- Include in neighborhood section of every appraisal or in an addendum, the prevalence of sales or financing concessions:

Example 1: “Financial assistance is not prevalent in the subject’s market, if included in a transaction, I have analyzed and adjusted based on market impact.”

Example 2: “Sellers concessions, if included in a transaction, are generally accepted as normal marketing conditions and have no effect on value.”

- Neighborhood Housing Trends
  - Property Values Increasing-Stable-Declining
  - Supply / Demand Shortage-In Balance-Over Supply
  - Marketing Time Under 3 months 3-6 months Over 6 months

Checked boxes on the URAR are not enough. You must explain your analysis of the market conditions.

Example: Property values are increasing with a decrease in supply resulting in contracting marketing time. Data from local and regional publications along with XYZ MLS statistics indicate values increased 8% this past quarter and 19% over the last year. The data shows 130 less units this quarter and 634 fewer units over last year. Marketing time decreased approximately 18 days the past quarter and 58 days over the last year. Typical marketing time in the subject’s market is under 3 months with current average of about 45 days.

Based on housing trends and the prior example, a narrative or form addendum would be attached to your report. It should provide all of the following information regarding competitive listings or verifiable, bona fide contract offerings considered the most similar and proximate to the subject:

- The information usually found in a Multiple Listing Service (MLS) entry or other listing.
- How long each property has been on the market (total time listed, aka DOM – days on market).
- Changes (date/price) in the current history of each listing. (if available).
- A short statement comparing the property to the subject.

- Contract offerings are more desirable than listings.
  - Any new construction contract must clearly identify all optional items and variations from the basic house type and any sales/financing concession included in the sales price.
  - Listings should be properly identified and may include a legible copy of a MLS entry.
  - Although not required, it may be helpful to make adjustments or otherwise use a sales comparison analysis grid.
- Statement located within your report. **“I have considered relevant competitive listings and/or contract offerings in the performance of this appraisal and in the trending information reported in this section. If a trend is indicated I have attached another addendum providing relevant competitive listing / contract offering data. “**
  - Statement of ratio indicating: “average listing price to sales price”
  - R.A.U. Data. Date you **R**eceived assignment – **A**ppraised subject – **U**ploaded report. If over 5 business days, time delays must be documented.
  - Estimated Remaining Economic Life. If less than 30 years, appraiser must provide a supporting explanation based on either known economic factors or observed physical condition.
  - Opinion of Site Value should be included **only when completing the entire cost approach.**
  - Location Map Addendum should be clear and easy to read (to assist in locating properties during field reviews).
  - Sketch Addendum showing the footprint of all improvements with room locations.
  - Photograph Addendum showing subject front and rear view (preferably including a different side view in each photo) and photograph of each comparable (only front view required).
  - Appraisal Invoice should be included preceding the report.
  - An itemized list of any observed repairs that are required to be completed, customer preference items to be installed, inspections to be performed, or conditions to be corrected in order for the property to meet VA minimum property requirements.
  - Cosmetic items should not be included as a VA minimum property requirement and should not be subject to repair.